

ORIGINAL



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Tortolita Water Company, Inc
3567 E. Sunrise Dr., Ste 119
Tucson, AZ 85718
(520) 615-9802

RECEIVED

FEB 13 2006

AZ Corporation Commission
Director of Utilities

February 10, 2006

Charles R. Myhlhousen
Arizona Corporation Commission
1200 W Washington St
Phoenix, AZ 85007-2927

RE: Docket No W-02301A-05-0873
Application for Rate Increase
Second Letter of Insufficiency

Dear Mr. Myhlhousen:

I am responding to the Second Letter of Insufficiency dated February 6, 2006. Enclosed is an original and 16 copies of the revised pages, 18 and 22. I have also enclosed an original and 16 copies of the responses to the Attachment of Deficiencies.

If I can be of further assistance, please do not hesitate to contact me. I am more than happy to respond to telephone inquiries.

Sincerely,

Karyn J Ullery

enclosures

CC: Ron Kozoman

AZ CORP COMMISSION
DOCUMENT CONTROL

2006 FEB 14 A 8:01

RECEIVED

NAME OF COMPANY	Tortolita Water Company
ADEQ Public Water System Number:	

REVISED

MONTH/YEAR	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)
January	2	Not Metered	
February	2	17,850	17,850
March	2	19,740	19,740
April	2	22,240	22,240
May	2	29,180	29,180
June	2	46,570	46,570
July	3	44,430	44,430
August	4	72,150	72,150
September	4	56,800	56,800
October	4	30,080	30,080
November	4	34,260	34,260
December	4	39,216	39,216
Jan-05	4	60,098	60,098
Total	39		472,614

Is the water utility located in an ADRW Active Management Area ("AMA")?

☒ Yes ☐ No

Does the Company have an ADWR gallons per capita ("GPCD") requirement?

☐ Yes ☒ No

If Yes, please provide the GPCD amount: _____

Arsenic Reading: Well

Arsenic Reading: Well 0.0002 mg/l

Note: If you are filing for more than one system, please provide separate data sheets for each system.

For explanation of any of the above, please contact Engineering Supervisor at 602-542-7277.

* This number must be equal to the number of entered on page 6, "sold gallons."

** Gallons pumped cannot equal or be less than gallons sold.

BALANCE SHEET (CONTINUED)

REVISED

Acct. No.	LIABILITIES	Balance at Beginning of Test Year	Balance at End of Test Year	Balance at End of Test Year Restated (1)
	CURRENT LIABILITIES			
231	Accounts Payable			
232	Notes Payable (Current Portion)			
234	Notes/Accounts Payable to Associated Companies	1,400	2,800	2,800
235	Security Deposits MH	500	500	500
236	Accrued Taxes		85	85
237	Accrued Interest	68		
241	Miscellaneous Current and Accrued Liabilities			
	TOTAL CURRENT LIABILITIES	\$ 1,968	\$ 3,385	\$ 3,385
	LONG-TERM DEBT (Over 12 Months)			
224	Long-Term Notes and Bonds			
	DEFERRED CREDITS			
251	Unamortized Premium on Debt			
252	Advances in Aid of Construction			*
255	Accumulated Deferred Investment Tax Credits			
271	Gross Contributions in Aid of Construction			**
272	Less: Amortization of Contributions			
281	Accumulated Deferred Income Taxes			
	TOTAL DEFERRED CREDITS		\$ -	
	TOTAL LIABILITIES	\$ 1,968	\$ 3,385	\$ 3,385
	CAPITAL ACCOUNTS			
201	Common Stock	\$ 400	\$ 400	\$ 400
211	Paid in Capital	74,600	74,600	74,600
215	Retained Earnings	(14,501)	(16,909)	(14,809)
218	Proprietary Capital (Sole Props. And Partnerships)			
	TOTAL CAPITAL	\$ 60,499	\$ 58,091	\$ 60,191
	TOTAL LIABILITIES AND CAPITAL	\$ 62,466	\$ 61,476	\$ 63,576

Note: Accounts 272 should be subtracted from Total Deferred Credits.

* Must equal page 24, Total Advances in Aid of Construction

** Must equal page 25, Total Advances

(1) Accumulated depreciation and Retained Earnings restated to computed Accumulated Depreciation

Attachment of Deficiencies (2/0612006)

- 2.1 Page 18. Please provide the gallons sold and the gallons pumped for January 2004. If this information is not available, provide the information for the month of January 2005. This information was not provided in response to the first letter of insufficiency.

Yes, this was shown on 'REVISED' PAGE 18, as Jan 2005 gallons. Second copy enclosed.

- 2.2 Page 21. Balance Sheet account number 121, Non-Utility Property. Please explain what is the non-utility property in this account and give a description of that property. What is the use of this property?

Refer to page 20, this is the sum of 303, Land and Rights and 304, Structures and Improvements, this is the recorded amount for the mobile home and the land the water plant occupies.

- 2.3 Page 21. Please explain why the account number 122 non-utility property is being depreciated and has an accumulated depreciation amount of \$9,657.

This is the depreciation for the mobile home.

- 2.4 Page 22. Balance Sheet account number 225, meter deposits. If these meters are owned by the water company and are not meter deposits from customers, then they should not be shown on the balance sheet as meter deposits. Please correct.

All the meters are currently owned by the water company. However, this account is incorrectly labeled, it should be titled 'Security Deposits' and the \$500 was the security deposit paid by the tenants of the mobile home per the rental agreement. I have attached a new page 22 with the account title corrected.

- 2.5 Page 14. *Actual page 19* Comparative Statement of Income and Expenses. Please explain the rent expense in account number 621 in the amount of \$4,000. Why was this incurred?

\$1600 of this rent was for the water rights referred to again in 2.13. \$2400 is the portion of the rent income that is paid to the partnership that owns the land the mobile home occupies.

- 2.6 How was the value of \$20,000 determined for the mobile home?

This value was assigned by the sellers of the property in 1987. I assume there was an appraisal done on the property, which would have included the value of the well, the mobile home and the land.

- 2.7 Follow-up to the Company's response to 1.16: Describe how the land was used in conjunction with the Company's provision of water service during the test year. Describe any improvements that had been made to the lad prior to its purchase. Describe in acres the size of the lad in question.

I am assuming this refers to land. The wellsite sits on the land, this is less than one acre, I have attached a letter—Attachment 2.7 - in lieu of contract dated 11/30/87, which lists all land and property transferred in the sale. I am unaware of any improvements prior to the purchase in 1987.

- 2.8 Follow-up to the Company's response to 1.5: Describe the age and size of the mobile home in question. What land was purchased when the mobile home was acquired?

April 1987- Moore Corridor purchased 72 acres of land, attached to the land at purchase was a mobile home, 1970 Golden West, 24' x 60'. Also included in the purchase was the transfer of Tortolita Water Co., Inc. The mobile home became property of Tortolita Water, however it occupies land not owned by the water company, so rent is paid to Moore Corridor for each month Tortolita Water Co receives rent.

- 2.9 Follow-up to the Company's response to 1.17: The detailed description requested was not provided. Provide a detailed description of the \$5,000 of plant item (s) contained in Account No. 311 (Electric Pumping Equipment). This plant was first recorded in the books in 1962.

Please refer to attached letter dated 11/30/87

- 2.10 Follow-up to the Company's response to 1.1: Provide a detailed description of the new upgrades to the well site referenced in the response. Describe any plant items that will be added in conjunction with the current upgrades. Describe any plant items that were in service during the test year that will be retired as a result of the current upgrades. Describe the plant items that were in service during the test year that will be retained after the current upgrades have been completed.

Upgrades include: new waterlines to all new lots, new water mains, new 15,000 storage tank, new pumps, new electrical controls, new booster stations, new 5,000 gallon hydropneumatic tank.

I have attached as 2.10 the description of items from the contractor. The only items to be retired as a result of the current upgrades will be the transmission pipes.

The items that will be retained include the 15000 storage tank, the well and casing, pressure tank

- 2.11 Follow-up to the Company's response to 1.19: Does an employee (parttime or full-time) of the Company use of the mobile home in question? Is the well site secured with a fence or other structure?

The mobile home is rented to a non-employee. For each month the water company receives rental income for the mobile home, \$120 is paid for the use rent of the land. See answer to 2.8. The well site is secured with a

fence, this is being replaced with a block wall and secure gates.

2.12

Follow-up to the Company's response to 1.20: Responses to the following two subparts were not provided. Does the Type2 Non-irrigation Grandfathered Water Right Lease (the Agreement) submitted with the application apply to water produced by the Well identified as ADWR No. 55-801242 in the Application? According to the Agreement the water will be withdrawn from a well owned by Tortolita Water Company however there is no value recorded for this well in Account No. 307 (Wells and Springs), please explain.

The water used is from the well owned by Tortolita Water Company, ADWR 55-801242.

There was no value assigned to the wells, instead \$5,000 was assigned to pumping equipment.

2.13

Follow-up to the Company's response to 1.20: Explain in detail why the water right agreement with Palo Seco Corporation was required. Will this type of agreement be necessary in the future (beyond June 30, 2006)? If not, explain why such an agreement will not be necessary in the future.

This water right agreement was required by ADWR in order to establish a new Service Area. "In order to establish a Service Area Right, applicants must first serve water pursuant to one or more of the rights listed below for a 12 month period (Service Area Development Period) and must serve a minimum of 4 or more residential or commercial services at the end of that 12 month period. During the Service Area Development Period, water must be withdrawn and used only pursuant to one or more of the following rights: Type 2 Non-Irrigation Grandfathered Right(s); Type 1 Non-Irrigation Grandfathered Right(s) 'recovery well permit; or surface water used pursuant to a statement of claim" (from ADWR instruction on Establishing Service Area Right). This will not be required after January 2006, (even though the lease extends until June 2006) because we have been granted our service area right by ADWR Approval No 56-000377.0000c

November 30, 1987

ARIZONA CORPORATION COMMISSION
402 West Congress Street
Tucson, Arizona 85701

Re: Tortolita Water System
Transfer To: Tortolita Water Company, Inc.

Dear Sirs:

This letter is sent to you in lieu of a contract for the sale of the water system. The reason for this is that the water system was sold in an all inclusive contract, including approximately 72 acres of other land. The water system was sold free and clear of all liens.

The following items were sold with the water system free and clear of all liens:

A. Well site legally described as:

That portion of the West Half of the Southwest Quarter of Section 26, Township 11 South, Range 12 East, G. & S. R. B. & M., Pima County, Arizona, described as follows:

Commencing at the Southwest corner of said Section 26;

Thence along the Southerly line thereof East 659.15 feet;

Thence North 0 Deg. 02 Min. 27 Sec. West, a distance of 524.12 feet;

Thence South 70 Deg. 37 Min. 23 Sec. West, a distance of 100.22 feet to the true point of beginning;

Thence South 0 Deg. 40 Min. 07 Sec. East, a distance of 49.11 feet;

Arizona Corporation Commission
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November 30, 1987
Page 2

Thence North 80 Deg. 28 Min. 21 Sec. West,
a distance of 42.38 feet;
Thence North 16 Deg. 57 Min. 40 Sec. East,
a distance of 41.82 feet;
Thence North 85 Deg. 52 Min. 49 Sec. East,
a distance of 29.10 feet to the true point
of beginning.

A deed was delivered into escrow free and clear of all
liens to the above site.

B. One pressue tank, 2000 gallon capacity.

C. One holding tank, 1500 gallon capacity.

D. 860 linear feet of 6 inch John Mansville ring-pipe
plastic transmission pipe.

E. 1020 linear feet of 4 inch same.

F. One submersible pump.

G. One well with 8 inch casing.

I estimate the replacement value of the above equipment
to be between \$50,000.00 and \$70,000.00.

It is understood by myself and the buyer that an acquisition
adjustment may be necessary at a later date.

Respectfully submitted,


BETTY JANE PALMER

Date: 12/20/05
 Period Ending: 12/31/05
 Pay Request: 05
 Project: Tortolita Preserve

Contractor: Smyth Steel Manufacturing, Inc.
 Address: 4010 E Illinois Street
 Tucson, AZ 85714
 (520) 750-8719

Bid Item Number	Description of Bid Item	Quantity Bid	Unit	Quantity Previous Total	Quantity This Period	Quantity To Date	Subcontract Unit Price	Amount This Period	Amount Previous Period	Total Amount To Date
	Tortolita Preserve									
1	Furnish all labor, equipment and materials necessary to complete site work including clearing, grubbing, grading and 2" of 3/4" gravel within site per plans and specifications.	\$5,000.00	LS	70%	0%	70%		\$0.00	\$3,500.00	\$3,500.00
2	Furnish and install new Class 350 DIP site piping, including fittings, connections and appurtenances per plans and specifications complete.	\$19,160.00	LS	95%	0%	95%		\$0.00	\$18,202.00	\$18,202.00
3	Furnish and install new booster station including pumps, piping, valves and necessary connections and appurtenances per plans and specifications complete.	\$56,529.00	LS	95%	0%	95%		\$0.00	\$53,702.55	\$53,702.55
4	Furnish and install new electrical equipment including panels, rack, coatings, and connections to transformer per plans and specifications complete.	\$72,278.00	LS	95%	0%	95%		\$0.00	\$68,664.10	\$68,664.10
5	Furnish all labor, equipment and materials to disinfect and test equipment.	\$2,500.00	LS	0%	0%	0%		\$0.00	\$0.00	\$0.00
6	Furnish all labor, equipment and materials to install block wall with one 16-foot gate per plans and specifications complete.	\$28,400.00	LS	90%	0%	90%		\$0.00	\$25,560.00	\$25,560.00
7	Furnish and install new air compressor with all piping, fittings, valves, concrete, cage and appurtenances per plans and specifications complete.	\$4,500.00	LS	100%	0%	100%		\$0.00	\$4,500.00	\$4,500.00
8	Furnish labor and materials to modify and outfit existing 5,000-gallon hydropneumatic tank (150psi) per plans and specifications complete.	N/A	LS	0%	0%	0%		\$0.00	\$0.00	\$0.00
9	Furnish and install new 15,000-gallon storage tank, including all connections, piping, vents, ladder, manholes, valves, fittings, and appurtenances with coatings per plans and specifications complete.	\$31,000.00	LS	100%	0%	100%		\$0.00	\$31,000.00	\$31,000.00
CO #1	Furnish and install new 5,000-gallon, 125psi hydropneumatic tank and necessary appurtenances.	\$18,664.00	LS	0%	60%	60%		\$11,198.40	\$0.00	\$11,198.40
<div> <div>Original Contract \$238,031.00</div> <div>Change Orders (+/-)</div> <div>Total Contract \$238,031.00</div> </div> <div> <div>Contract Work Total</div> <div>Less Retention (N/A)</div> <div>Subtotal</div> <div>Less Previous Pymts.</div> <div>Net Amount Due</div> </div>										<div>\$11,198.40</div> <div>\$0.00</div> <div>\$11,198.40</div> <div>\$0.00</div> <div>\$11,198.40</div>
										<div>\$216,327.05</div> <div>\$0.00</div> <div>\$216,327.05</div> <div>(\$205,128.65)</div> <div>\$11,198.40</div>